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ANALYZING SUPPLY RISK

By helping companies understand environmental risks, WWF ensures they focus their efforts where they can make the biggest conservation impact.

Whether it's industrial accidents, not having the cash to pay creditors, or someone hacking into the IT system, businesses face any number of risks every day. Risk management – the process of identifying and assessing risks and taking action to control them – has become a huge global industry.

Yet conventional risk management often fails to address one of the most significant issues facing many companies today: the environmental and social risks within global supply chains. Unsustainable sourcing can destroy biodiversity and affect communities, threatening future supply and brand reputation and potentially leading to expensive legal disputes.

"Sustainability can be daunting for businesses, many of which still lack appropriate expertise in understanding environmental concerns such as biodiversity," says WWF's Jeff Malcolm, Manager, Business & Industry WWF-US.

"We engage with businesses for conservation – to help them become part of the solution, rather than the problem."

"Our risk assessment work helps companies understand their impact on key global conservation priorities including issues like biodiversity, carbon emissions and water."

Jeff Malcolm
Manager, Business &
Industry, WWF-US

SUPPLY RISK ANALYSIS

Jeff is one of the architects of WWF's Supply Risk Analysis methodology. "It's a risk management framework for sustainable sourcing which covers around 30 broad topics, from CO2 emissions to depletion of biodiversity to labour rights to water use," he explains. "It makes it very clear, where businesses have the biggest environmental impact or potential impact – and associated risk – through their sourcing of commodities in specific areas. This helps determine priorities."

The "risk matrix" gives a score based on the severity of the risk and how likely it is to occur. So, for example, soy in Brazil scores the highest rating for habitat conversion, impact on biodiversity and greenhouse gas emissions. That means these risks occur commonly, and have a major and permanent impact. In other words, if you're sourcing soy from Brazil, these are issues you need to take very seriously.

FOCUS

Several leading multinational corporations have already used the Supply Risk Analysis Tool.

WWF TARGETS

The Supply Risk Analysis Tool can help companies:

- understand risks to biodiversity associated with commodity production and procurement, and develop action plans to reduce those negative impacts;
- understand the relative risk and opportunity within a supply chain to develop an action plan to reduce the footprint of a commodity's production on a global scale.

IMPORTANCE

Research has found that in some sectors, including the food and beverage industry, the majority of a company's environmental and social risk exists outside of its four walls – in its greater supply chain and typically in the production of raw materials (United Nations, Water Footprint Network, Environmental Science Technology, Forest Footprint Disclosure).

PRIORITY PLACES

The Supply Risk Analysis Tool ensures that companies understand environmental and social risks in the places where commodities are produced and especially in those places that WWF cares about most – where priority species and biodiversity could be negatively affected.

CONTEXT

Threats of non-certified commodity production

- Land conversion and loss of habitat and biodiversity;
- Higher greenhouse gas emissions;
- Soil degradation;
- Water impacts including eutrophication and acidification;
- Improper use of pesticides and higher levels of toxicity;
- Improper animal care practices;
- Labour rights violations;
- Negative impacts on local and indigenous communities (e.g. loss of land, improper consultation on issues and planning).

Opportunities

- Engage with multi-stakeholder initiatives to further best practices and on dialogue regarding the future of products;
- Ensure expansion of responsible production as population is estimated to grow beyond nine billion by 2050;
- Reduce reputational risks and maintain brand value.

TRENDS

Focus on working with key companies on their supply chains in order to reduce impacts on the places and species WWF cares about most.

“Sometimes people are surprised to hear who WWF is working with. But if we want to transform markets and indeed whole sectors, then we have to work with the big players – those that have major impact,” says Jeff.

“Our risk assessment work advances our environmental mission by helping companies understand their impact on key global conservation priorities, including issues like biodiversity, carbon emissions and water. It makes them think about the effects of their sourcing, and then we can determine how to address them.”

One company that is taking action as a result of the risk analysis is McDonald's. “WWF's Supply Risk Analysis Tool enables us to navigate sustainability concerns, prioritize our use of resources and see where we need to concentrate our efforts within the supply chain,” says Francesca DeBiase, Corporate Vice President of Worldwide Supply Chain Management. “It helps us quantify and focus, and gives us the information we need in working with our supply chain partners.”

McDonald's is making efforts to mainstream sustainability as evidenced by its public commitment to increase the amount of agricultural raw materials for its food and packaging products that come from sustainable sources. WWF's Supply Risk Analysis Tool

helped McDonald's identify five products as particularly significant: beef, poultry (which includes soy, much of which is used as chicken feed), palm oil, coffee, and packaging.

Identifying risks is only the start of the process for a company. Next steps could include joining roundtables, making commitments to purchase verified sustainable products, mapping their supply chain or working with their suppliers. McDonald's, for example, is using its position as the world's largest beef buyer to raise the profile of sustainable beef and is one of the leading champions for the Global Roundtable on Sustainable Beef.

“At McDonald's, we aim to use our scale, scope and talent to make a positive difference for children, families, communities, and the planet,” says Francesca. “WWF's Supply Risk Analysis Tool has helped us focus our efforts on areas where we can have a real influence.”